

This Lease Agreement, made the 1st day of May 1987

Between FREDERICK C. KNOX and PAUL E. BAGOON ORIGINAL

Number 1 of

residing or located at 3121 Route 10 in the Township of Denville and State of New Jersey, hereinafter referred to as the Landlord,

ROUTE 10 CONVERTIBLES, INC., a N.J. Corporation

residing or located at East 331 Rt. 4 West in the Town of Paramus Bergen and State of New Jersey, herein designated as the Tenant; Witness that, the Landlord does hereby lease to the Tenant and the Tenant does hereby rent from the Landlord, the following described premises:

Approximately 3,600 square feet on West end of one story building, located at 3121 Rt. 10, Denville, New Jersey, designated on the Tax Map of Denville, N.J. as Lot 26, Block 20701

for a term of Ten (10) years commencing on June 1, 1987 and ending on May 31, 1997 to be used and occupied only and for no other purpose than

retail sales of convertible sofas, and matching loveseats and modular units

Upon the following Conditions and Covenants:

1st: The Tenant covenants and agrees to pay to the Landlord, as rent for and during the term hereof, the sum of \$ 772,212, plus additional rent and increases as provided in paragraphs 29th and 37th.

Payable in monthly installments on the first of each month, commencing June 1, 1987, as more particularly set forth in paragraph 37th.

2nd: The Tenant has examined the premises and has entered into this lease without any representation on the part of the Landlord as to the condition thereof. The Tenant shall take good care of the premises and shall at the Tenant's own cost and expense, make all repairs, including painting and decorating, and shall maintain the premises in good condition and state of repair, and at the end or other expiration of the term hereof, shall deliver up the rented premises in good order and condition, wear and tear from a reasonable use thereof, and damage by the elements not resulting from the neglect or fault of the Tenant, excepted. The Tenant shall neither encumber nor obstruct the sidewalks, driveways, yards, entrances, hallways and stairs, but shall keep and maintain the same in a clean condition, free from debris, trash, refuse, snow and ice.

3rd: In case of the destruction of or any damage to the glass in the leased premises, or the destruction of or damage of any kind whatsoever to the said premises, caused by the carelessness, negligence or improper conduct on the part of the Tenant or the Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors, the Tenant shall repair the said damage or replace or restore any destroyed parts of the premises, as speedily as possible, at the Tenant's own cost and expense.

4th: No alterations, additions or improvements shall be made, and no climate regulating, air conditioning, cooling, heating or sprinkler systems, television or radio antennas, heavy equipment, apparatus and fixtures, shall be installed in or attached to the leased premises, without the written consent of the Landlord. Unless otherwise provided herein, all such alterations, additions or improvements and systems, when made, installed in or attached to the said premises, shall belong to and become the property of the Landlord and shall be surrendered with the premises and as part thereof upon the expiration or sooner termination of this lease, without hindrance, molestation or injury.

5th: The Tenant shall not place nor allow to be placed any signs of any kind whatsoever, upon, in or about the said premises or any part thereof, except of a design and structure and in or at such places as may be indicated and consented to by the Landlord in writing. In case the Landlord or the Landlord's agents, employees or representatives shall deem it necessary to remove any such signs in order to paint or make any repairs, alterations or improvements in or upon said premises or any part thereof, they may be so removed, but shall be replaced at the Landlord's expense when the said repairs, alterations or improvements shall have been completed. Any signs permitted by the Landlord shall at all times conform with all municipal ordinances or other laws and regulations applicable thereto.

6th: The Tenant shall pay when due all the rents or charges for water or other utilities used by the Tenant, which are or may be assessed or imposed upon the leased premises or which are or may be charged to the Landlord by the suppliers thereof during the term hereof, and if not paid, such rents or charges shall be added to and become payable as additional rent with the installment of rent next due or within 30 days of demand therefor, whichever occurs sooner.

7th: The Tenant shall promptly comply with all laws, ordinances, rules, regulations, requirements and directives of the Federal, State and Municipal Governments or Public Authorities and of all their departments, bureaus and subdivisions, applicable to and affecting the said premises, their use and occupancy, for the correction, prevention and abatement of nuisances, violations or other grievances in, upon or connected with the said premises, during the term hereof; and shall promptly comply with all orders, regulations, requirements and directives of the Board of Fire Underwriters or similar authority and of any insurance companies which have issued or are about to issue policies of insurance covering the said premises and its contents, for the prevention of fire or other casualty, damage or injury, at the Tenant's own cost and expense, and shall maintain occupancy to end of term, and as may be related to or arising out of or from the Tenant's occupancy.

8th: The Tenant, at Tenant's own cost and expense, shall obtain or provide and keep in full force for the benefit of the Landlord, during the term hereof, general public liability insurance, insuring the Landlord against any and all liability or claims of liability arising out of, occasioned by or resulting from any accident or otherwise in or about the leased prem-

Compliance with Laws
ORIGINAL
MAY 1987

Assignment

Restiction of use

Mortgage Priority

Continuance of Lease

Fire and other Casualty

Balance of Rent

Inspection and Repairs

Right to Sublet

Increase of Insurance Rates

Removal of Tenant's Property

Restoration upon Tenant's Default

Termination in Default

9th: The Tenant shall not, without the written consent of the Landlord, assign, mortgage or hypothecate this lease, nor sublet or sublease the premises or any part thereof.

10th: The Tenant shall not occupy or use the leased premises or any part thereof, nor permit or suffer the same to be occupied or used for any purpose other than as herein limited, nor for any purpose deemed unlawful, disputable, or extra hazardous, on account of fire or other casualty.

11th: This lease shall not be a lien against the said premises in respect to any mortgages that may hereafter be placed upon said premises. The recording of such mortgages or mortgages shall have preference and precedence and be superior and prior in lien to this lease, irrespective of the date of recording and the Tenant agrees to execute any instruments, without cost, which may be deemed necessary or desirable, to further effect the subordination of this lease to any such mortgage or mortgages. A refusal by the Tenant to execute such instruments shall entitle the Landlord to the option of cancelling this lease, and the term hereof is hereby expressly limited accordingly.

12th: If the land and premises leased herein, or of which the leased premises are a part, or any portion thereof, shall be taken under eminent domain or condemnation proceedings, or if suit or other action shall be instituted for the taking or condemnation thereof, or if in lieu of any formal condemnation proceedings or actions, the Landlord shall grant an option to purchase and or shall sell and convey the said premises or any portion thereof, to the governmental or other public authority, agency, body or public utility, seeking to take said land and as of such date as the Landlord shall fix by notice in writing; and the Tenant shall have no claim or right to claim or be entitled to any portion of any amount which may be awarded as damages or paid as the result of such condemnation proceedings or paid as the purchase price for such option, assigned to the Landlord. The Tenant agrees to execute and deliver any instruments, at the expense of the Landlord, as may be deemed necessary or required to expedite any condemnation proceedings or to effectuate a proper transfer of title to such governmental or other public authority, agency, body or public utility seeking to take or acquire the said lands and premises or any portion thereof. The Tenant covenants and agrees to vacate the said premises, remove all the Tenant's personal property therefrom and deliver up possession thereof to the Landlord or to such other party designated by the Landlord in the aforementioned notice. Failure by the Tenant to comply with any provisions in this clause shall subject the Tenant to such costs, expenses, damages and losses as the Landlord may incur by reason of the Tenant's breach hereof.

13th: In case of fire or other casualty, the Tenant shall give immediate notice to the Landlord. If the premises shall be partially damaged by fire, the elements or other casualty, the Landlord shall repair the same as speedily as practicable, but the Tenant's obligation to pay the rent hereunder shall not cease. If, in the opinion of the Landlord, the premises be so extensively and substantially damaged as to render them untenable, then the rent shall cease until such time as the premises shall be made tenable by the Landlord. However, if, in the opinion of the Landlord, the premises be totally destroyed or so extensively and substantially damaged as to require practically a rebuilding thereof, then the rent shall be paid up to the time of such destruction and then and from thenceforth this lease shall come to an end. In no event however, shall the provisions of this clause become effective or be applicable, if the fire or other casualty and damage shall be the result of the carelessness, negligence or improper conduct of the Tenant or the Tenant's agents, employees, guests, licensees, invitees, subtenants, assignees or successors. In such case, the Tenant's liability for the payment of the rent and the performance of all the covenants, conditions and terms hereof on the Tenant's part to be performed shall continue and the Tenant shall be liable to the Landlord for the damage and loss suffered by the Landlord. If the Tenant shall have been insured against any of the risks herein covered, then the proceeds of such insurance shall be paid over to the Landlord to the extent of the Landlord's costs and expenses to make the repairs hereunder, and such insurance carriers shall have no recourse against the Landlord for reimbursement.

14th: If the Tenant shall fail or refuse to comply with and perform any conditions and covenants of the within lease, the Landlord may, if the Landlord so elects, carry out and perform such conditions and covenants, at the cost and expense of the Tenant, and the said cost and expense shall be payable on demand, or at the option of the Landlord shall be added to the installment of rent due immediately thereafter but in no case later than one month after such demand, whichever occurs sooner, and shall be due and payable as such. This remedy shall be in addition to such other remedies as the Landlord may have hereunder by reason of the breach by the Tenant of any of the covenants and conditions in this lease contained.

15th: The Tenant agrees that the Landlord and the Landlord's agents, employees or other representatives, shall have the right to enter into and upon the said premises or any part thereof, at all reasonable hours, for the purpose of examining the same or making such repairs or alterations therein as may be necessary for the safety and preservation thereof. This clause shall not be deemed to be a covenant by the Landlord nor be construed to create an obligation on the part of the Landlord to make such inspection or repairs.

16th: The Tenant agrees to permit the Landlord and the Landlord's agents, employees or other representatives to show the premises to persons wishing to rent or purchase the same, and Tenant agrees that on and after the expiration of the term hereof, the Landlord or the Landlord's agents, employees or other representatives shall have the right to place notices on the front of said premises or any part thereof, offering the premises for rent or for sale; and the Tenant hereby agrees to permit the same to remain thereon without hindrance or molestation.

17th: If for any reason it shall be impossible to obtain fire and other hazard insurance on the buildings and improvements on the leased premises, in an amount and in the form and in insurance companies acceptable to the Landlord, the Landlord may, if the Landlord so elects at any time thereafter, terminate this lease and the term hereof, upon giving to the Tenant fifteen days notice in writing of the Landlord's intention so to do, and upon the giving of such notice, this lease and the term thereof shall terminate. If by reason of the use to which the premises are put by the Tenant or character of or the manner in which the Tenant's business is carried on, the insurance rates for fire and other hazards shall be increased, the Tenant shall upon demand, pay to the Landlord, as rent, the amounts by which the premiums for such insurance are increased. Such payment shall be paid with the next installment of rent but in no case later than one month after such demand, whichever occurs sooner.

18th: Any equipment, fixtures, goods or other property of the Tenant, not removed by the Tenant upon the termination of this lease, or upon any quitting, vacating or abandonment of the premises by the Tenant, or upon the Tenant's eviction, shall be considered as abandoned and the Landlord shall have the right, without any notice to the Tenant, to sell or otherwise dispose of the same, at the expense of the Tenant, and shall not be accountable to the Tenant for any part of the proceeds of such sale, if any.

19th: If there should occur any default on the part of the Tenant in the performance of any conditions and covenants herein contained, or if during the term hereof the premises or any part thereof shall be or become abandoned or deserted, vacated or vacant, or should the Tenant be evicted by summary proceedings or otherwise, the Landlord, in addition to any other remedies herein contained or as may be permitted by law, may either by force or otherwise, without being liable for prosecution therefor, or for damages, re-enter the said premises and the same have and again possess and enjoy; and as agent expenses, reasonable attorney fees and costs, as the Landlord may have been put to in re-entering and repossessing the same and in making such repairs and alterations as may be necessary; and second to the payment of the rents due hereunder. The Tenant shall remain liable for such rents as may be in arrears and also the rents as may accrue subsequent to the re-entry by the Landlord, to the extent of the difference between the rents reserved hereunder and the rents, if any, received by the Landlord during the remainder of the unexpired term hereof, after deducting the aforementioned expenses, fees and costs; the same to be paid as such deficiencies arise and are ascertained each month.

20th: Upon the occurrence of any of the contingencies set forth in the preceding clause, or should the Tenant be adjudicated a bankrupt, insolvent or placed in receivership, or should proceedings be instituted by or against the Tenant for bankruptcy, insolvency, receivership, agreement of composition or any court proceedings, or if this lease or the estate of the Tenant hereunder shall pass to another by virtue of any court proceedings, writ of execution, levy, sale, or by operation of law, the Landlord may, if the Landlord so elects, at any time thereafter, terminate this lease and the term hereof, upon giving to the Tenant or to any trustee, receiver, assignee or other person in charge of or acting as custodian of the assets or property of the Tenant, five days notice in writing, of the Landlord's intention so to do. Upon the giving of such notice, this lease and the term hereof shall end on the date fixed in such notice as if the said date was the date originally fixed by this lease for the expiration hereof; and the Landlord shall have the right to remove all persons, goods, fixtures and chattels therefrom, by force or otherwise, without liability for damages.

21st: The Landlord shall not be liable for any damage or injury which may be sustained by the Tenant or any other person as a consequence of the failure hereof to insure or to obtain insurance of the premises or any part thereof.

PROPERTY by Landlord
Validity of Lease
Notice
Use and Rent Payment
Other Provisions
Taxes
Mechanics' Liens
Assignment
Waiver
Security

or material called for herein, by reason of any rule, order, regulation or prescription of the Landlord's inability to supply any service department, agency or subdivision or for any delay which may arise by reason of regulations for the adjustment of any fire or other casualty loss or because of strikes or other labor trouble or for any cause beyond the control of the Landlord.

14th: The terms, conditions, covenants and provisions of this lease shall be deemed to be severable. If any clause or provision herein contained shall be adjudged to be invalid or unenforceable by a court of competent jurisdiction clauses or provisions shall remain in full force and effect.

15th: All notices required under the terms of this lease shall be given and shall be complete by mailing such notices by certified or registered mail, return receipt requested, to the address of the parties as shown at the head of this lease, or to such other address as may be designated in writing, which notice of change of address shall be given in the same manner.

16th: The Landlord covenants and represents that the Landlord is the owner of the premises herein leased and having the right and authority to enter into, execute and deliver this lease, and does further covenant that the Tenant on hold and enjoy the leased premises for the term aforementioned.

17th: This lease contains the entire contract between the parties. No representative, agent or employee of the Landlord has been authorized to make any representations or promises with reference to the within letting or to vary, alter or modify the terms hereof. No additions, changes or modifications, renewals or extensions hereof, shall be binding unless reduced to writing and signed by the Landlord and the Tenant.

18th: If the premises leased hereunder or of which the leased premises are a part, shall be sold during the term hereof, the Tenant agrees to vacate the premises, remove all the Tenant's property and deliver up possession of the premises to the Landlord, within 90 days of written demand therefor, and the term hereof and this lease shall terminate upon the date fixed by said demand.

19th: If in any calendar year during the term and of any renewal or extension of the term hereof, the annual municipal taxes assessed against the land and improvements leased hereunder or of which the premises herein leased are a part, shall be greater than the municipal taxes assessed against the said lands and improvements for the calendar year 19 87, which is hereby designated as the base year, then, in addition to the rent herein fixed, the Tenant agrees to pay a sum equal to thirty-eight (38%) per cent of the amount by which said tax exceeds the annual tax for the base year, inclusive of any increase during any such calendar year. The said sum shall be considered as additional rent and shall be paid in as many equal installments as there are months remaining in the calendar year in which said taxes exceed the taxes for the base year, on the first day of each month in advance, during the remaining months of that year. If the term hereof shall commence after the first day of January or shall terminate prior to the last day of December in any year, then such additional rent resulting from a tax increase shall be proportionately adjusted for the fraction of the calendar year involved.

20th: If any mechanic's or other liens shall be created or filed against the leased premises by reason of labor performed or materials furnished for the Tenant in the erection, construction, completion, alteration, repair or addition to any building or improvement, the Tenant shall within seven days thereafter, at the Tenant's own cost and expense, cause such liens or liens to be satisfied and discharged of record together with any Notices of Intention that may have been filed. Failure so to do, shall entitle the Landlord to resort to such remedies as are provided herein in the case of any default of this lease, in addition to such as are permitted by law.

21st: The Tenant waives all rights of recovery against the Landlord or Landlord's agents, employees or other representatives, for any loss, damages or injury of any nature whatsoever to property or persons for which the Tenant is subrogation rights under the respective policies.

22nd: The Tenant has this day deposited with the Landlord the sum of \$ 10,500. as security for the payment of the rent hereunder and the full and faithful performance by the Tenant of the covenants and conditions on the part hereof, provided that the Tenant has fully and faithfully performed all such covenants and conditions and is not in arrears in default by the Tenant, in which event the Tenant shall, on demand, promptly restore said security to its original amount. Liability to repay said security to the Tenant shall run with the reversion and title to said premises, whether any change in ownership thereof be by voluntary alienation or as the result of judicial sale, foreclosure or other proceedings, or the exercise of a right of taking or entry by any mortgagee. The Landlord shall assign or transfer said security, for the benefit of the Tenant, to any subsequent owner or holder of the reversion or title to said premises, in which case the assignee shall become liable for the repayment thereof as herein provided, and the assignor shall be deemed to be released by the Tenant from all liability to return the such security. This provision shall be applicable to every alienation or change in title and shall in no wise be deemed to permit the Landlord to retain the security after termination of the Landlord's ownership of the reversion or title. The Tenant shall not mortgage, encumber or assign said security without the written consent of the Landlord.

THE ADDENDUM TO THIS LEASE IS ATTACHED HERETO AND MADE PART HEREOF

The Landlord may pursue the relief or remedy sought in any invalid clause, by conforming the said clause with the provisions of the statutes or the regulations of any governmental agency in such case made and provided as if the particular provisions of the applicable statutes or regulations were set forth herein at length.

In all references herein to any parties, persons, entities or corporations the use of any particular gender or the plural or singular number is intended to include the appropriate gender or number as the text of the within instrument may require. All the terms, covenants and conditions herein contained shall be for and shall inure to the benefit of and shall bind the respective parties hereto, and their heirs, executors, administrators, personal or legal representatives, successors and assigns.

In Witness Whereof, the parties hereto have hereunto set their hands and seals, or caused these presents to be signed by their proper corporate officers and their proper corporate seal to be hereto affixed, the day and year first above written.

Signed, Sealed and Delivered in the presence of or Attested by

FREDERICK C. KNOX, Landlord

PAUL E. BAGOON Landlord

ROUTE 10 CONVERTIBLES, INC.

ADDENDUM TO LEASE
BETWEEN: FREDERICK C. KNOX & PAUL E. BAGOON
AND : JENNIFER CONVERTIBLES
DATED: MAY 1, 1987

It is agreed that in the event of any conflict or ambiguity in the terms and provisions of the Lease and those of this Addendum, the terms of this Addendum shall be controlling.

33rd: Liability Insurance and Indemnification. The Tenant, at Tenant's own cost and expense, shall obtain or provide and keep in full force for the benefit of the Landlord, during the term hereof, general public liability insurance, insuring Landlord against any and all liability or claims of liability arising out of, occasioned by or resulting from any accident or otherwise in or about the leased premises, including but not limited to, any streets, alley, sidewalks, or parking areas, passageways or common area adjoining or appurtenant to the demised premises, for injuries to any person or persons, for limits of not less than \$1,000,000. for injuries to one person and \$3,000,000. for injuries to more than one person, in any one accident or occurrence, and for loss or damage to the property of any person or persons, for not less than \$300,000. The policy or policies of insurance shall be of a company or companies authorized to do business in this State and shall be delivered to the Landlord, together with evidence of payment of the premiums therefor, not less than fifteen (15) days prior to the expiration or termination date of any policy, sooner. At least fifteen (15) days prior to the expiration or termination date of any policy, the Tenant shall deliver a renewal or replacement policy with proof of payment of the premium therefor. The Tenant also agrees to and shall save, hold and keep harmless and indemnify the Landlord from and for any and all payments, expenses, costs, attorneys fees and from and for any and all claims and liability for losses or damage to property or injuries to persons occasioned wholly or in part by or resulting from any acts or omissions by the Tenant or the Tenant's agents, employees, guests, licensees, invitees, sub-tenants, assignees, or successors, for any cause or reason whatsoever arising out of or by reason of the occupancy by the Tenant and the conduct of the Tenant's business.

34th. Other Insurance. The Landlord shall obtain insurance against loss or damage to the demised premises by fire and from such other hazards as may be covered by the form of all risk coverage then in effect (including specifically damage by water), all in an amount sufficient to prevent any coinsurance provision from becoming effective but in any event in an amount not less than 100% of the then replacement value of the building. This insurance shall be A S M P all risk form and shall include but not be limited to coverage for sprinkler leakage and such other coverage as may be deemed necessary by the Landlord. Anything contained herein to the contrary notwithstanding, the insurance required by this paragraph shall in all events be sufficient to comply with the requirements of any fee mortgage.

35th. Utilities. The Tenant shall share the cost of heating and cooling as well as the cost of all electric expense in regard to the entire building. The Tenant's share of said cost shall be thirty-eight (38%) per cent. Landlord shall be billed directly by the utility company, and shall then furnish Tenant with a copy of the statement of charges, at which time Tenant shall pay to Landlord his share of said expenses.

36th. Snow Blowing The Tenant shall share the cost of

17th. Rent: The rent for the first five (5) years of the Lease shall be \$68,000 per year, increased by the sum of three (3%) per cent per year (cumulative), starting with the second year, as follows:

<u>YEAR</u>	<u>ANNUAL RENT</u>	<u>MONTHLY RENT</u>
1st year	\$ 63,000.00	\$ 5,250.00
2nd year	64,090.00	5,407.50
3rd year	66,036.00	5,569.67
4th year	68,041.00	5,736.75
5th year	70,906.00	5,909.83
Total, first 5 years:	\$334,473.00	

The rent for each of the next five (5) years shall be \$70,906., increased by the sum of either (a) 3% per year (cumulative), or (b) the increase in the Revised Consumer Price Index for all Urban Consumers of the United States Bureau of Labor Statistics for New York - Northeastern New Jersey ("CPI"), whichever is greater, for each of the five years, as follows:

<u>YEAR</u>	<u>ANNUAL RENT</u>	<u>MINIMUM MONTHLY RENT</u>
6th year	\$73,033 (or 70,906 + increase in CPI, if greater)	\$ 6,086.08
7th year	75,224 (or rent for 6th year + increase in CPI, if greater)	6,268.67
8th year	77,480 (or rent for 7th year + increase in CPI, if greater)	6,456.67
9th year	79,804 (or rent for 8th year + increase in CPI, if greater)	6,650.33
10th year	82,198 (or rent for 9th year + increase in CPI, if greater)	6,849.83

18th. Failure to Pay Additional Charges. The Tenant shall pay, in addition to the basic rent, all of the charges enumerated herein, for utilities, taxes, insurance and snow plowing, as set forth in Paragraphs 29th, 33rd, 34th, 35th and 36th above. If Tenant fails to pay such expenses in a timely manner, Landlord may pay said expenses on behalf of the Tenant and add said expenses to the monthly basic rent; which shall be additional rent due with the next monthly installment. Landlord shall have all remedies set forth in this lease, at his option, for the failure to pay any such expense.

19th. Broker. It is understood between the Parties that no broker or Real Estate Agent is or has been involved in this transaction, and each will save the other harmless from any and all claims for brokerage commissions, should the same be brought by anyone in respect to this Lease.

20th. Compliance with Covenants. In addition to all the provisions contained herein, Tenant shall comply with all covenants of this Lease and upon receiving written notice from Landlord that any covenant is being violated, Tenant shall have ten (10) days to correct such violation* (provided such violation does not cause threat of immediate and irreparable harm or injury to the building or to persons therein). If such covenant continues to be breached ten (10) days after written notice is received by Tenant, then Tenant shall be deemed in default of this lease.

41st. Use of Premises. Tenant agrees that the premises shall be used solely as a retail store for the sale of convertible sofas and matching loveseats and modular units. Tenant further agrees that it will not engage in the sale or distribution of any furniture, modular units or other products manufactured by either the Norwalk Furniture Co. or the Schnadig Co.; nor will it engage in the sale or distribution of the same or similar products being sold by the Tenant occupying the adjoining premises ("Choice Seating"). Landlord shall have the right to obtain a permanent injunction against the sale of any of the items prohibited by the terms of this Paragraph if Tenant at any time sells, or offers for sale any such items.

42nd. Use of Adjoining Premises. Landlord represents that the adjoining premises, presently leased to Choice Seating, shall not be used for the sale of any products manufactured by the Simmons, Sealey or Serta Companies, for the term of this Lease. However, it is agreed that the tenant occupying the adjoining premises shall have the right to sell convertible sofa beds.

43rd. Right of First Refusal to Purchase Premises. Provided Tenant shall have fully and faithfully complied with all of the terms, covenants and conditions of the within Lease Agreement, Tenant shall have, during the five (5) year period following the expiration of the term of this Lease, the right of first refusal to purchase the premises, as follows: If Landlord shall not have previously sold the premises during the Lease term, and if Landlord shall receive from any third party, other than one controlled by the Landlord or a member of his immediate family, an acceptable bona fide offer to purchase the Demised Premises or the Entire Premises, it shall submit a written copy of such offer to Tenant giving Tenant thirty (30) days within which to elect to meet such offer. If Tenant elects to meet such offer, it shall give Landlord written notice thereof and settlement shall be held within 90 days thereafter, whereupon Landlord shall convey to Tenant a good and marketable title to the premises free and clear of all liens, encumbrance and restrictions.

44th. Alterations Made by Tenant. Notwithstanding the provisions contained in Paragraph 4th above, Tenant shall have the right to make any alterations in the demised premises at its sole cost and expense and with Landlord's written consent (which shall not be unreasonably withheld), provided that such alterations shall not weaken the structural elements of the building, shall not be structural in nature, and shall be performed in conformity with all requirements of law. Tenant shall return the premises to Landlord in a leasable condition for the same nature and extent of the type of lease as Tenants, and said condition to be determined by the Landlord.

45th. Attorney's Fees. In case suit shall be brought by Landlord for wrongful withholding of possession of the premises, for the recovery of rent due under the provisions of this Lease, or because of the breach of any other covenant contained in this Lease, on the part of the Tenant, Tenant shall pay to the Landlord a reasonable attorney's fee, which shall be fixed by the Court. Such attorney's fee shall be deemed to have accrued on the commencement of a Court action and shall be paid whether or not such action is prosecuted to Judgment.

46th. Tenant's Sign. Tenant may place in or about the entrance to the demised premises a sign identifying its place of business, provided such sign shall be in compliance with all requirements of law and governmental regulations. Paragraph 5th is



47th. Subleasing. Tenant shall have the right to assign and/or sublet the premises provided Tenant first gives Landlord sixty (60) days written notice of Tenant's desire to sublet the premises, and furnishes to Landlord the name and nature of the business of the proposed assignee or subtenant and the commencement date of the assignment or underlease. Landlord shall have the right within that sixty (60) day period to declare this Lease null and void and release Tenant from any further obligations under this Lease. If Landlord allows Tenant to sublease, the subtenant must conform to all the obligations contained in this Lease. Provided further, that if Landlord allows Tenant to sublease, Landlord may recapture the subleased premises and honor the sublease directly with the subtenant at any time at the Landlord's option.

48th. Late Payment of Rent. If payment is received of the monthly installment of rent after the 10th day of the month, there shall be due and payable, as additional rent, a late charge of five (5%) per cent of the monthly rental.

49th. Repairs. Paragraph 2nd is modified to the extent that Landlord agrees to make all necessary repairs to the roof of the building and any outside plumbing, as well as structural repairs, which are not caused by the carelessness, negligence or improper conduct of the Tenant, its agents, servants, employees, invitees or licensees. Landlord shall also make all repairs to the heating and air conditioning units which service the leased premises for the first year of the lease term. Tenant shall be responsible for all other repairs to the demised premises, including the electrical and plumbing systems; and with respect to the heating and air conditioning systems, all repairs and replacements after the first year of the lease term.

50th. Prohibited Use of Premises. Tenant agrees that it will not occupy or permit or suffer the premises to be occupied for any business or purpose deemed disreputable or hazardous on account of fire. Tenant shall not bring upon the demised premises any "hazardous substances" or "hazardous waste" as such terms are defined in N.J.A.C. 7:1-3.34.

51st. Alterations to be Made by Landlord. Landlord agrees that it will perform the following alterations and improvements to the premises prior to occupancy by the Tenant:

- a. Erect a wall separating the demised premises from the remaining portion of the building presently occupied by Choice Seating, with the wall to be taped and spackled.
- b. Installation of double entry door.
- c. Installation of single, rear door.
- d. Installation of sufficient electrical tracks to provide adequate lighting for premises. Tenant to furnish the heads for the track lighting.

52nd. Condition of Premises. The demised premises shall be delivered to Tenant in "broom clean" condition, and the bathroom(s), heating, plumbing, electrical, ventilation and air conditioning systems shall be in good working order. Except as otherwise provided, the demised premises are leased "as is".

53rd. Paragraph 15th is modified to provide that whenever possible, repairs or alterations to be made by Landlord shall be

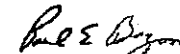
54th. Paragraph 21st is modified to provide that Landlord shall remain responsible for any damage or injury caused by its own negligence, carelessness or improper conduct, or that of its agents, servants, employees, licensees or invitees.

55th. Paragraph 45th is amended to further provide that if Tenant prevails in any legal proceedings upon which a claim is filed against Landlord for breach of this Agreement, then Tenant shall be entitled to reasonable attorneys fees as may be fixed by the Court. In the event that claims should be filed by both parties, and both parties shall prevail, then the award of counsel fees shall be apportioned based on the amount of the claim awarded to each.

56th. In the event that the bathroom that is being installed by Landlord on the remaining portion of the premises occupied by Choice Seating is not ready for use by May 15, 1987, then Tenant shall permit the employees and patrons of Choice Seating to use its bathroom facilities until those of Choice Seating have been approved for use by the Township; provided, further, that access to Tenant's facilities shall be through the side or rear entrance of the demised premises, and not through Tenant's showroom.

57th. Tenant shall have the right to occupy the demised premises for the period May 15, 1987 to May 31, 1987, without the payment of any rent, but otherwise subject to all the conditions and covenants of this Agreement.


FREDERICK C. KNOX, Landlord


PAUL E. BAGOON, Landlord

ROUTE 10 CONVERTIBLES, INC.

By: 
HARLEY GREENFIELD, President